FILED
03/16/26
04:59 PM
A2602005

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

Joint Application of Pacific Gas and Electric Company (U39E), Southern California Edison (U338E) and San Diego Gas & Electric Company (U902E) Requesting Commission Approval of Proposals for a BCR Calculation Methodology, Audit Methodology, and Cost Recovery Conditions as Specified in Resolution SPD-37.	**Application 26-02-005** **(Filed February 09, 2026)**

PROTEST OF THE ENERGY PRODUCERS AND USERS COALITION

Nora Sheriff
Samir A. Hafez
Buchalter LLP
425 Market Street, 29th Floor
San Francisco, CA 94105-2491
415.227.3551 office
415.227.0770 fax
nsheriff@buchalter.com

Counsel for Energy Producers and Users Coalition

March 16, 2026

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

Joint Application of Pacific Gas and Electric Company (U39E), Southern California Edison (U338E) and San Diego Gas & Electric Company (U902E) Requesting Commission Approval of Proposals for a BCR Calculation Methodology, Audit Methodology, and Cost Recovery Conditions as Specified in Resolution SPD-37.	**Application 26-02-005** **(Filed February 09, 2026)**

PROTEST OF THE ENERGY PRODUCERS AND USERS COALITION

Pursuant to the California Public Utilities Commission (Commission) Rules of Practice and Procedure Rule 2.6, the Energy Producers and Users Coalition (EPUC)[1] submits this protest to the Joint Application[2] filed by Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively, the Utilities) on February 9, 2026.[3]

I. INTRODUCTION

Senate Bill (SB) 884 directed the Commission to establish a program to expedite the undergrounding of electrical distribution infrastructure. [4] To implement this statute, the

[1] EPUC represents the electricity end-use interests of the following companies in this proceeding: California Resources Corp., Chevron U.S.A. Inc., PBF Holding Company, Phillips 66 Company, and Tesoro Refining & Marketing Company LLC.
[2] Application (A.) 26-02-005, *Joint Application of Pacific Gas and Electric Company (U39E), Southern California Edison (U338E) and San Diego Gas & Electric Company (U902E) Requesting Commission Approval of Proposals for a BCR Calculation Methodology, Audit Methodology, and Cost Recovery Conditions as Specified in Resolution SPD-37*, Feb. 9, 2026 (Joint Application).
[3] The Joint Application first appeared in the Commission's Daily Calendar on Feb. 12, 2026. Pursuant to Rule 2.6(a), this Protest is timely filed.
[4] Stats. 2022, Ch. 819.

Commission adopted Resolution SPD-37,[5] which establishes the general framework and conditions that will govern the Commission's Phase 2 evaluation of the Utilities' Electric Undergrounding Plan (EUP) costs. This framework will dictate the standards and methodologies for ensuring that potentially billions of dollars in anticipated EUP expenditures demonstrably reduce wildfire risk and improve system reliability, while protecting ratepayers from unjust and unreasonable costs.[6]

To resolve outstanding methodological and oversight issues necessary to implement this framework, SPD-37 directed the Utilities to file the instant Joint Application. Specifically, the Utilities were required to propose: (1) a standardized methodology for calculating Benefit-Cost-Ratios (BCRs); (2) an audit methodology for verifying compliance with Phase 2 Conditions; and (3) additional conditions to ensure costs are just and reasonable.[7] However, several key aspects of the Utilities' proposals conflict with the express requirements and objectives of SPD-37 or ignore its pragmatic guidance. If adopted, these proposals risk hindering the Commission's ability to accurately evaluate the cost-effectiveness of EUP expenditures, and ultimately burden customers with unjust and unreasonable rate increases associated with imprudent, non-cost-effective EUP spending.

---

[5] Res. SPD-37, *Update and Revision of Senate Bill 884 Program: CPUC Guidelines, Program for Expediting the Undergrounding of Distribution Equipment of Large Electrical Corporations*, Dec. 10, 2025 (SPD-37).
[6] SPD-37 at 11 ("The Phase 2 Conditions are a central feature of the guidelines. These conditions provide direction to large electrical corporations on the amount of EUP costs that will be authorized to recover in rates via the balancing account, while ensuring ratepayer interests are protected. The conditions provide regulatory clarity and certainty for large electrical corporations while ensuring EUP costs borne by ratepayers are just and reasonable.").
[7] SPD-37 at 25-30, Ordering Paragraph 9; *SB 884: CPUC Guidelines*, Dec. 10, 2025 (SB 884 Guidelines) at 5-8.

II. GROUNDS FOR PROTEST

The Joint Application materially fails to satisfy SPD-37's express requirements and objectives for the BCR methodology,[8] audit design,[9] and cost-recovery conditions[10] that will guide the Commission's Phase 2 review of EUP costs. The proposals adopted in this Phase 1 proceeding will directly shape the Commission's review of significant EUP costs for at least the next decade. Therefore, the Utilities' proposals must fully reflect SPD-37's requirements and objectives to provide the analytical tools and metrics necessary for the Commission to evaluate whether EUP expenditures are cost-effective, just, and reasonable. The Joint Application fails to meet that standard; it introduces methodological departures and discretionary elements that contradict SPD-37's express directive that the proposals support transparent, comparable, and auditable evaluation of undergrounding expenditures.

The Utilities' BCR proposal diverges from the directives of SPD-37 and the Commission's Risk-Based Decision-Making Framework (RDF) in several ways. The Joint Application erroneously recommends that O&M savings be included in the denominator of the CBR calculation,[11] contrary to SPD-37 guidance.[12] The Utilities also propose material variances and methodological shifts in core elements of the BCR calculation, including the structure and scope of backcasting,[13] and the agreed definition of BCR Year Zero.[14] If adopted, these changes would

---

[8] SPD-37 at 25-28; *SB 884: CPUC Guidelines*, Dec. 10, 2025 (SB 884 Guidelines) at 5-6.
[9] SPD-37 at 28-30; SB 884 Guidelines at 6-7.
[10] SPD-37 at 30; SB 884 Guidelines at 7.
[11] Joint Application at 7-8.
[12] SPD-37 at A1-A19.
[13] Joint Application at 14-15.
[14] Joint Application at 16.

obscure the true costs and benefits of undergrounding projects and undermine the transparency that SPD-37 intended to ensure.

The Utilities likewise fail to propose an audit methodology that would allow the Commission to confirm compliance with Phase 2 conditions, including verification of cost caps, BCR thresholds, unit cost caps, and third-party funding offsets.[15] Instead, the Utilities propose an audit framework that ignores a project's actual risk reduction benefits,[16] relies on utility-defined criteria for "used and useful,"[17] and omits clear standards for determining compliance.[18] These deficiencies conflict with SPD-37's overall objectives and requirement that the audit process enable independent validation rather than utility interpretation.[19]

Given these shortcomings, the Commission must closely scrutinize the Joint Application's underlying assumptions, reject proposals that conflict with SPD-37 or the RDF, and require strict adherence to the methodologies mandated in SPD-37. Only through such adherence can the Commission ensure that all EUP costs borne by ratepayers are just and reasonable, and that the protections SPD-37 was designed to provide remain intact.

III. EFFECT OF APPLICATION ON ENERGY PRODUCERS AND USERS COALITION

EPUC is an *ad hoc* group representing the electric end-use customer interests of its large power members located in PG&E and SCE's service territories. EPUC regularly and actively participates in PG&E and SCE rate cases to address rate impacts on large electric end-use customers.

---

[15] SPD-37 at 29.
[16] Joint Application at 24.
[17] Joint Application at 23, 25-27.
[18] Joint Application at 30-31.
[19] SPD-37 at 23.

The frameworks adopted in this proceeding will directly govern the Commission's Phase 2 evaluation of the EUP costs that PG&E and SCE can recover through customer rates. If the Utilities' flawed proposals are approved, the resulting rate increases driven by imprudently incurred and inadequately audited EUP spending would have a significant impact on EPUC members' operations. Accordingly, EPUC has a direct interest in participating in this proceeding to ensure that PG&E and SCE are held accountable for completing cost-effective risk wildfire risk mitigation work at just and reasonable costs.

IV. REASONS APPLICATION IS NOT JUSTIFIED, AND FACTS SUPPORTING DENIAL OF APPLICATION

Several key aspects of the Utilities' proposals are fundamentally misaligned with the express requirements of SPD-37 and the Commission's RDF. Rather than propose a framework that promotes effective Commission oversight of EUP cost recovery, the Utilities advance a self-serving framework that risks obscuring true undergrounding costs and exposing ratepayers to potentially billions of dollars in unjustified spending. If adopted, these proposals would weaken the comparability, transparency, and traceability of BCR calculations,[20] and diminish the effectiveness of the audit process in identifying non-compliant or unreasonable undergrounding costs.

The following reflects EPUC's initial assessment of the flaws and deficiencies in the Utilities' proposals. EPUC anticipates that additional issues may arise through discovery and a more detailed review of the Joint Application.

[20] SPD-37 at 26.

A. The Utilities' Proposed BCR Methodology Contains Several Unreasonable Assumptions That Materially Diverge From SPD-37's Express Directives And Guidance

The Utilities' recommendation that O&M Savings be reflected in the denominator of the BCR calculation must be rejected.[21] SPD-37 permits O&M Savings to be included in the numerator, alongside other modeled benefits.[22] Placing O&M Savings in the denominator relies on future, more speculative savings to directly offset known capital expenditures, which masks the immediate financial impact on ratepayers and alters the BCR's representation of project cost-effectiveness.

The Utilities' proposal regarding risk scaling is technically insufficient and fails to align with mandatory regulatory requirements. While the Joint Application suggests that Utilities should merely be "allowed" to report both scaled and unscaled values, the Commission's RDF Framework actually requires the inclusion of both datasets when conducting tail-risk analysis. By framing this requirement as a discretionary choice, the Utilities' proposal ignores the RDF's intent to provide the Commission and intervenors with the transparency necessary to understand how risk-aversion adjustments influence the prioritization of projects for high consequence events.

The Utilities' proposal to define BCR Year Zero as the year a utility's EUP becomes effective,[23] rather than the year a project becomes "used and useful," as expressly required by SPD-37,[24] must also be summarily rejected. This proposed approach not only violates SPD-37's

[21] Joint Application at 6.
[22] SPD-37 at A1-19; SB 884 Guidelines at 5.
[23] Application at 16.
[24] SPD-37 at 27 ("CBR Year Zero, defined as the year a project becomes "used and useful," which

express directive, but also would extend the discount period for EUP capital expenditures, which may artificially skew the BCR higher for projects with longer completion timelines.

The Utilities' proposal to exclude an express calculation of Net Salvage Values[25] from the BCR Calculation further fails to promote a proper evaluation of EUP costs.[26] Further, it is not clear what is meant by Net Salvage Value. Net salvage typically relates to the decommissioning cost at retirement of the infrastructure that is currently providing service. But undergrounding generally will result in the abandonment of existing overhead assets that are not yet fully depreciated, because they are retired before the end of their useful operating life. Accordingly, these undepreciated stranded costs represent real undergrounding costs to ratepayers and should be integrated into the BCR calculation. The Utilities ignore this relationship between Net Salvage Values and the BCR, as expressly required by SPD-37.[27] Instead, the Utilities merely state that Net Salvage Values "are addressed via other cost considerations such as depreciation rates or PVRR calculations."[28]

The Utilities' proposal to limit the use of backcasting is similarly unsupported. SPD-37 provides that backcasting is "a method for recalculating BCRs and unit costs using updated Risk Reporting Unit (RRU) structures and risk model inputs to establish a bridge between prior inputs and new inputs, to ensure an 'apples-to-apples' comparison."[29] Because cost-

---

serves as the reference year for discounting both costs and benefits . . . All stakeholders unanimously agreed on the definition of CBR Year Zero as presented above and that definition shall be included in the [Utilities'] proposal"); SB 884 Guidelines at 6.

[25] SPD-37 at 26, fn 69 ("Net Salvage value means the salvage value of an electrical infrastructure related asset that has been retired less the cost of removal of that asset.").

[26] Joint Application at 7.

[27] SPD-37 at 26

[28] Joint Application at 7.

[29] SPD-37 at 27.

effectiveness is the primary driver of the EUP program, SPD-37's focus on capturing changes in a project's BCR subsequent to the filing of an EUP application is critical. Although the Joint Application acknowledges SPD-37's express goal for the backcast, the Utilities nonetheless propose to conduct a backcast only when a utility "introduces substantive updates to its risk models."[30] The Utilities' purported concerns about "misalignment" and "recalculations" fail to justify this unworkable proposed approach.[31]

B. The Proposed Audit Methodology Lacks Necessary Ratepayer Safeguards

In light of the magnitude of potential costs associated with the Utilities' 10-year EUPs, a comprehensive audit framework is necessary to protect ratepayers from imprudent utility spending. The utility selection of underground projects should be audited to confirm they meet the BCR thresholds of cost justification. The Audit should also examine if incremental costs incurred impact the BCR and render the projects uneconomic. The Utilities' proposal that the auditor adhere to the American Institute of Certified Public Accountants (AICPA) Consulting Standards fails to promote the heightened accountability the EUP program demands.[32] Instead, the auditor should be required to adhere to Generally Accepted Government Auditing Standards (GAGAS), which is typically used for government-mandated audits to ensure higher levels of public accountability. Given the billions of dollars that will be evaluated in Phase 2 the SB 884 EUP program, GAGAS is a more appropriate standard for Commission-mandated audit of EUP costs.

[30] Joint Application at 7.
[31] Joint Application at 15.
[32] Joint Application at 18-19.

The Utilities' proposal to restrict the audit's scope to only the denominator, or cost side, of the equation is similarly deficient.[33] Excluding the numerator, or benefit side, of the equation from the audit would hinder the Commission's ability to verify whether projected benefits used to justify the EUP expenditure actually materialized. It is imperative that the utilities are required to audit the benefits realized from past investments in order to ensure accountability and validate forecasted benefits. This proposed approach fails to promote cost-effective utility spending, and weakens ratepayer safeguards against unjust and unreasonable EUP costs.

The Utilities' proposal to apply a 2 percent variance threshold for annual cost caps, unit costs, and BCR values further fails to adequately protect ratepayers.[34] This variance would permit the Utilities to record over-budget costs in a balancing account rather than a memorandum account, and thus would allow the Utilities to evade stricter reasonableness review of these costs. This improper attempt to limit the Commission's ability to effectively scrutinize recorded EUP costs must be rejected.

C. The Utilities Seek to Dilute Project-Level Cost Recovery Standards

The Joint Application advocates for portfolio-level BCR compliance that would not penalize a Utility if an individual EUP project falls below a presumed CBR threshold that will be established by the Commission in a Phase 2 decision.[35] SPD-37 expressly states that allowing EUP projects with forecasted BCRs below 1.0 to be included in a Phase 2 Application would be unreasonable.[36] The Commission must clarify that all individual projects and subprojects

---

[33] Joint Application at 24.
[34] Joint Application at 34-35.
[35] Joint Application at 32.
[36] SPD-37 at 16.

proposed in a Phase 2 EUP application, and for which cost recovery is ultimately sought, must independently demonstrate a BCR of 1.0 or greater.

The Utilities also go beyond the scope of SPD-37's requirements for this Phase 1 proceeding, proposing to introduce various additional considerations into the mitigation selection process.[37] The Commission must summarily reject these late-added proposals, as they only serve to dilute utility accountability for implementing prudent, cost-effective EUPs at just and reasonable costs.

V. PROPOSED CATEGORIZATION AND NEED FOR HEARINGS

The Utilities propose that this proceeding be categorized as "quasi-legislative."[38] However, the BCR and audit frameworks adopted in this proceeding will govern how the Commission evaluates and audits billions of dollars in SB 884 undergrounding costs in later proceedings. Given the magnitude of the costs at issue, and the potential for these determinations to shape rate impacts for the next decade, the Commission should exercise its discretion to categorize this proceeding as "ratesetting."

At this stage, evidentiary hearings do not appear to be necessary. However, the Commission should include time and opportunity for intervenors to submit counter proposals or comments after discovery has concluded. The Commission should also consider providing time for workshops addressing the Utilities' proposals and any intervenor counter-proposals.

---

[37] Joint Application at 35-40.
[38] Joint Application at 42.

VI. ISSUES TO BE CONSIDERED

In addition to issues that may arise through discovery and a more detailed review of the Joint Application, EPUC proposes that the Commission include the following issues within the scope of this Phase 1 proceeding:

- Whether the Utilities' proposed BCR calculations are reasonable, transparent, and aligned with Commission directives;
- Whether the proposed treatment of O&M Savings, Net Salvage Values, and the BCR Year Zero timeline improve or compromise the integrity of BCR calculations;
- Whether the proposed treatment of Net Salvage Values exacerbates stranded asset and affordability risks;
- Whether the proposed audit methodology, including the use of AICPA standards and the exclusion of benefit verifications, adequately safeguards ratepayers from imprudent spending; and
- Whether the Application's project-level cost recovery proposals allow circumvention of the Commission's determination that projects with a BCR below 1.0 are unreasonable.

VII. PROPOSED SCHEDULE

The Utilities' proposed schedule envisions a final determination based solely on the Joint Application, a 60-day discovery period, intervenor opening briefs, and utility reply briefs.[39] This proposal does not allow for a meaningful level of intervenor participation, and would hinder the development of an adequately robust evidentiary record. Accordingly, EPUC supports the alternative "Intervenors' Proposed Schedule," included in The Utility Reform Network's March 13, 2026 Protest.[40] This alternative schedule provides for discovery,

[39] Joint Application at 44-45.
[40] *Protest of the Utility Reform Network*, A.26-02-005, Mar. 13, 2026 at 13-14.

counterproposals, and concurrent briefing, while still allowing for timely resolution of the critical issues raised in the Joint Application.

VIII. COMMUNICATIONS

Service of notices, orders, and other correspondence in this proceeding should be directed to the Energy Producers and Users Coalition at the address set forth below:

Nora Sheriff
Buchalter LLP
425 Market Street, 29th Floor
San Francisco, CA 94105-2491
Office: 415.227.3551
nsheriff@buchalter.com

and

Samir Hafez
Buchalter LLP
425 Market Street, 29th Floor
San Francisco, CA 94105-2491
Office: 415.227.3545
shafez@buchalter.com

IX. CONCLUSION

EPUC continues to evaluate the Joint Application and the impacts on its members, and appreciates the opportunity to submit this protest.

Respectfully submitted,

BUCHALTER LLP

By:

Nora Sheriff

Nora Sheriff

Counsel for the Energy Producers and Users Coalition

March 16, 2026